

AO 120 (Rev. 3/04)

<b>TO:</b> <b>Mail Stop 8</b> <b>Director of the U.S. Patent and Trademark Office</b> <b>P.O. Box 1450</b> <b>Alexandria, VA 22313-1450</b>	<b>REPORT ON THE</b> <b>FILING OR DETERMINATION OF AN</b> <b>ACTION REGARDING A PATENT OR</b> <b>TRADEMARK</b>
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In Compliance with 35 U.S.C. § 290 and/or 15 U.S.C. § 1116 you are hereby advised that a court action has been filed in the U.S. District Court Central District of California on the following ☒ Patents or ☐ Trademarks:

<b>DOCKET NO.</b> 8:09cv133	<b>DATE FILED</b> 2/5/2009	<b>U.S. DISTRICT COURT</b> Central District of California
<b>PLAINTIFF</b> Makita Corporation, Makita U.S.A. Inc., and Makita Corporation of America		<b>DEFENDANT</b> Milwaukee Electric Tool Corporation
<b>PATENT OR TRADEMARK NO.</b>	<b>DATE OF PATENT OR TRADEMARK</b>	<b>HOLDER OF PATENT OR TRADEMARK</b>
1 7,176,654 B2	2/13/2007	Milwaukee Electric Tool Corporation
2 7,253,585 B2	8/7/2007	Milwaukee Electric Tool Corporation
3 7,323,847 B2	1/29/2008	Milwaukee Electric Tool Corporation
4		
5		

In the above—entitled case, the following patent(s)/ trademark(s) have been included:

<b>DATE INCLUDED</b>	<b>INCLUDED BY</b>	<input type="checkbox"/> Amendment	<input type="checkbox"/> Answer	<input type="checkbox"/> Cross Bill	<input type="checkbox"/> Other Pleading
<b>PATENT OR TRADEMARK NO.</b>	<b>DATE OF PATENT OR TRADEMARK</b>	<b>HOLDER OF PATENT OR TRADEMARK</b>			
1					
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In the above—entitled case, the following decision has been rendered or judgement issued:

<b>DECISION/JUDGEMENT</b>  Copy of Order (attached)
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<b>CLERK</b> Jerry Nafisi	<b>(BY) DEPUTY CLERK</b> R LaChapelle	<b>DATE</b> 12/30/09
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Copy 1—Upon initiation of action, mail this copy to Director Copy 3—Upon termination of action, mail this copy to Director  
 Copy 2—Upon filing document adding patent(s), mail this copy to Director Copy 4—Case file copy

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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No. SACV 09-133 DOC (MLGx)

Date: May 11, 2009

Title: MAKITA CORPORATION, MAKITA U.S.A., INC. and MAKITA CORPORATION OF AMERICA v. MILWAUKEE ELECTRIC TOOL CORPORATION

DOCKET ENTRY

[I hereby certify that this document was served by first class mail or Government messenger service, postage prepaid, to all counsel (or parties) at their respective most recent address of record in this action on this date.]

Date: \_\_\_\_\_ Deputy Clerk: \_\_\_\_\_

PRESENT:

THE HONORABLE DAVID O. CARTER, JUDGE

Kristee Hopkins  
Courtroom Clerk

Not Present  
Court Reporter

ATTORNEYS PRESENT FOR PLAINTIFFS: ATTORNEYS PRESENT FOR DEFENDANTS:

NONE PRESENT

NONE PRESENT

PROCEEDING (IN CHAMBERS): ORDER GRANTING DEFENDANT'S MOTION TO DISMISS PLAINTIFFS' COMPLAINT FOR LACK OF SUBJECT MATTER JURISDICTION

Before the Court is Defendant Milwaukee Electric Tool's ("Milwaukee") Motion to Dismiss Plaintiffs' Complaint for Lack of Subject Matter Jurisdiction (the "Motion"). The Court finds the matter appropriate for decision without oral argument. Fed. R. Civ. P. 78; Local R. 7-15. After considering the moving, opposing, and replying papers, and for the reasons stated below, the Court hereby GRANTS the Motion.

**I. BACKGROUND**

Plaintiffs Makita Corporation, Makita, U.S.A., Inc., and Makita Corporation of America (collectively, "Makita") and Defendant Milwaukee are competitors in the cordless power tool market.

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In the last ten years, Milwaukee has pursued protection in the U.S. patent system for its lithium-ion ("Li-ion") battery technology utilized in its power tool products. Milwaukee avers that it has filed numerous patent applications related to its Li-ion inventions, many of which are still pending before the United States Patent and Trademark Office. Since January 2007, ten patents directed to Li-ion battery technology for use in hand-held power tools have issued to Milwaukee.

Starting in 2005, Makita introduced into the U.S. market a line of Li-ion power tool products including power tool, battery pack, and battery charger products. In response, Milwaukee and its parent company sent a series of letters to Makita regarding Milwaukee's Li-ion patent portfolio. More specifically, on March 4, 2005, Milwaukee's counsel sent a letter notifying Makita of three published Milwaukee patent applications relating to Li-ion battery technology. At that time, none of the three applications had yet issued as patents. However, two of the referenced pending applications matured into two of the patents-in-suit, U.S. Patent Nos. 7,176,654 (the "654 patent") and 7,253,585 (the "585 patent"). Milwaukee avers that the third patent-in-suit, U.S. Patent No. 7,323, 847 (the "847 patent") did not stem from these three applications. Makita, however, avers that the 847 patent is a continuation of the 654 application.

On September 22, 2005, Milwaukee sent another letter to Makita that referred to the March 4, 2005 letter and restated Milwaukee's policy of enforcing its intellectual property rights. This letter was also sent to The Home Depot as The Home Depot was featuring both Makita and Milwaukee's power tool products in its stores. The letter indicated that Milwaukee was in no way waiving any of its rights to enforce its patents once they issued as a result of Makita's Li-ion products being marketed by The Home Depot jointly with Milwaukee's Li-ion products. Milwaukee's parent company, Techtronic Industries North America, Inc., ("TTI") also sent Makita a letter on the same day reiterating Milwaukee's enforcement position. In response to the March 4, 2005 and September 22, 2005 letters, Makita's counsel sent Milwaukee a response on October 27, 2005. In that response, Makita indicated to Milwaukee that "it is premature for us [i.e. Makita] to prepare a substantial reply due to uncertainty and unpredictability as to valid claims that will issue from your [i.e. Milwaukee's] pending applications. In order to respect your patents and avoid infringement of your patents, we would greatly appreciate if you update us when there are any substantial developments that Makita should pay attention [to] in prosecuting your pending applications." Marshall Decl., Exh. C.

On November 17, 2006, Makita sent a letter to Milwaukee requesting that the parties meet to discuss Milwaukee's pending patent applications. Makita noted that it was "willing to settle the potential patent disputes between the two companies amicably and promptly." Marshall Decl., Exh. D. Milwaukee declined the request as a new president of the company had just assumed his position. Then on December 11, 2006, Milwaukee sent Makita a letter notifying Makita of additional published patent applications in Milwaukee's Li-ion battery patent portfolio. Makita confirmed receipt of that letter on January 3, 2007. No formal correspondence was sent between the parties for approximately the next year and a half.

During that time, Milwaukee's three patents-in-suit issued. The 654 patent issued on February 13, 2007. About six months later, the 585 patent issued on August 7, 2007. On January 29, 2008, the 847 patent issued. Then in July of 2008, Milwaukee contacted Makita in order to accept Makita's previous offer to meet regarding Milwaukee's Li-ion patent portfolio. The companies exchanged a number of letters and emails in order to schedule a convenient meeting time. The parties ultimately met on November 13, 2008, in Milwaukee, Wisconsin.

As part of the November 13, 2008 meeting, the parties signed a Confidentiality Agreement. The agreement provides that "[a]ll statements made in the course of the settlement discussions are covered by Fed. R. Civ. P. 408, and are strictly confidential, without prejudice to or waiver of any rights or defenses, and cannot be used in any subsequent litigation or for any other purpose." Marshall Decl., Exh. M. The agreement further states that "[a]ny and all information that may be disclosed by either party in the course of the settlement discussions regarding any product or technology developed or used by the party shall be deemed strictly confidential, and each party is prohibited from disclosing, disseminating, or using any such information of the other party for any other purpose than the settlement discussions, including but not limited to, obtaining intellectual property protection." *Id.* Milwaukee contends that during the meeting, its counsel confirmed that the parties' mutual interpretation of the agreement was that nothing said or learned at the meeting could be used to support a declaratory judgment action.

On February 2, 2009, Plaintiffs filed their complaint in federal court. They aver that this Court has jurisdiction pursuant to the Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202, and the United States Patent Laws, 35 U.S.C. §§ 1 et seq. Under their first claim for relief, they seek a declaration from this Court that none of Makita's existing Li-ion products, including newly developed Li-ion products, infringes any valid claim of the 654, 847, or 585 patents. Plaintiffs also inform the Court that upon the issuance of U.S. Patent Nos. 7,489,103 and 7,489,104 (the "103 patent" and "104 patent"), Plaintiffs will amend their complaint to seek a declaration that their products also do not infringe these patents. By their second claim for relief, Plaintiffs seek a declaration from this Court that the claims of the 654, 847, and 585 patents are invalid for failure to meet one or more of the requirements of patentability under United States law. Again, Plaintiffs inform the Court that they will amend their complaint to include the 103 and 104 patents upon their issuance.

Defendant brought the instant motion on April 16, 2009, arguing that there is no actual controversy between the parties warranting declaratory relief.

## II. LEGAL STANDARD

### a. Fed. R. Civ. P. 12(b)(1)

Under Federal Rule of Civil Procedure 12(b)(1), a complaint must be dismissed if the Court lacks subject matter jurisdiction to adjudicate the claims. Once subject matter jurisdiction is

challenged, the burden of proof is placed on the party asserting that jurisdiction exists. *Scott v. Breeland*, 792 F.2d 925, 927 (9th Cir. 1986) (holding that "the party seeking to invoke the court's jurisdiction bears the burden of establishing that jurisdiction exists"). Accordingly, the Court will presume lack of subject matter jurisdiction until the plaintiff proves otherwise in response to the motion to dismiss. *Kokkonen v. Guardian Life Ins. Co. of Am.*, 511 U.S. 375, 377, 114 S. Ct. 1673, 1675 (1994).

In evaluating a Rule 12(b)(1) motion, the question of whether the Court must accept the complaint's allegations as true turns on whether the challenge is facial or factual. A facial attack is one in which subject matter jurisdiction is challenged solely on the allegations in the complaint, attached documents, and judicially noticed facts. *Safe Air for Everyone v. Meyer*, 373 F.3d 1035, 1039 (9th Cir. 2004). In a facial attack, the moving party asserts that the lack of federal subject matter jurisdiction appears on the "face of the complaint." *Warren v. Fox Family Worldwide, Inc.*, 328 F.3d 1136, 1139 (9th Cir. 2003). In the case of a facial attack, the Court is required to accept as true all factual allegations set forth in the complaint. *Whisnant v. United States*, 400 F.3d 1177, 1179 (9th Cir. 2005).

In contrast, a factual attack (or a "speaking motion") is one in which subject matter jurisdiction is challenged as a matter of fact, and is based on evidence outside of the pleadings. *Safe Air*, 373 F.3d at 1039. In assessing the validity of a factual attack, the Court is not required to presume the truth of the plaintiff's factual allegations. *Safe Air*, 373 F.3d at 1039. The Court treats the instant motion as a factual attack as Defendant Makita relies on facts outside the pleadings in order to challenge the Court's jurisdiction, a position that appears to be shared by the parties.

#### **b. The Declaratory Judgment Act**

A federal court only has jurisdiction to award declaratory relief where there exists an actual controversy. *Am. States Ins. Co. v. Kearns*, 15 F.3d 142, 143 (9th Cir. 1994) (citing *Wickland Oil Terminals v. ASARCO, Inc.*, 792 F.2d 887, 893 (9th Cir. 1986)). The Supreme Court has established that this requirement mirrors Article III's constitutional case or controversy requirement. *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240, 57 S. Ct. 461 (1937). While the Supreme Court has never fashioned a concrete test for determining whether a suit for a declaratory judgment raises an actual controversy, it has explained that there must exist "a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *Maryland Cas. Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273, 61 S. Ct. 510 (1941). Ultimately, "[t]he difference between definite, concrete and substantial controversies which are justiciable, and hypothetical, abstract, or academic ones which are not justiciable, is one of degree, to be determined on a case by case basis." *Muller v. Olin Mathieson Chem. Corp.*, 404 F.2d 501, 504 (2d Cir. 1968); see also *Maryland Cas.*, 312 U.S. at 273 (question "is necessarily one of degree"). Further, as the declaratory judgment plaintiff, Makita bears the burden of proving by a preponderance of the evidence that an actual controversy exists between the parties. *Shell Oil Co. v. Amoco Corp.*, 970 F.2d 885, 887 (Fed. Cir. 1992).

In the patent context, this Court is bound by Federal Circuit precedent on matters of substantive law, including whether a case or controversy exists for purposes of issuing a declaratory judgment. *MedImmune, Inc. v. Centocor, Inc.*, 409 F.3d 1376, 1378 (Fed. Cir. 2005), *rev'd on other grounds*, 549 U.S. 1163, 127 S. Ct. 764 (2007); *Micron Tech., Inc. v. Mosaid Techs., Inc.*, 518 F.3d 897, 900 (Fed. Cir. 2008). In addressing a patent case, the Supreme Court recently reiterated its position on declaratory judgment suits. In summary, the Supreme Court restated that an actual controversy exists where “the facts alleged, under all the circumstances, show that there is a substantial controversy, between the parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127, 127 S. Ct. 764 (2007) (quoting *Maryland Cas.*, 312 U.S. at 273). In so emphasizing, the Court found that the Federal Circuit’s “reasonable apprehension of suit” test conflicted with Supreme Court precedent. *Id.* at 132 n. 11.

Pre-*MedImmune*, the Federal Circuit required a declaratory judgment plaintiff in a patent dispute to show (1) conduct by the patentee creating a reasonable apprehension of suit from the perspective of the declaratory judgment plaintiff and (2) present activity by the declaratory judgment plaintiff that might constitute infringement or preparation to conduct infringing activity. *Glaxo Inc. v. Novopharm Ltd.*, 110 F.3d 1562, 1571 (Fed. Cir. 1997). By its opinion in *MedImmune*, “[w]hile the Supreme Court rejected the reasonable apprehension of suit test as the sole test for jurisdiction, it did not completely do away with the relevance of the reasonable apprehension of suit. Rather, following *MedImmune*, proving a reasonable apprehension of suit is one of the multiple ways that a declaratory judgment plaintiff can satisfy the more general all-the-circumstances test to establish that an action presents a justiciable Article III controversy.” *Prasco, LLC v. Medicis Pharm. Corp.*, 537 F.3d 1329, 1336 (Fed. Cir. 2008) (citing *Caraco Pharm. Lab. Ltd. v. Forest Lab., Inc.*, 527 F.3d 1278, 1291 (Fed. Cir. 2008). Further, the Federal Circuit has treated *MedImmune* as only directly reflecting on the first prong of its two-part inquiry. See *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1380 n. 2 (Fed. Cir. 2007); *Prasco, LLC*, 537 F.3d at 1336 n. 4; *Cat Tech LLC v. TubeMasters, Inc.*, 528 F.3d 871, 880 (Fed. Cir. 2008) (“the issue of whether there has been meaningful preparation to conduct potentially infringing activity remains an important element in the totality of circumstances which must be considered in determining whether a declaratory judgment is appropriate.”). Thus, the Federal Circuit has held that the more general all-the-facts-and-circumstances approach of *MedImmune* expands the scenarios under which a patent holder’s actions create a basis for declaratory relief. See *Micron Tech., Inc. v. Mosaid Tech., Inc.*, 518 F.3d 897, 902 (Fed. Cir. 2008) (“Whether intended or not, the now more lenient legal standard facilitates or enhances the availability of declaratory judgment jurisdiction in patent cases.”).

### III. DISCUSSION

As a preliminary matter, Defendant argues that the Court has no jurisdiction to adjudicate matters regarding the soon-to-issue 103 and 104 patents. Milwaukee argues that there can be no case or controversy involving a patent that has not yet issued. See *GAF Bldg. Materials Corp. v. Elk Corp. of*

*Dallas*, 90 F.3d 479, 482 (Fed. Cir. 1996) ("We therefore hold that a threat is not sufficient to create a case or controversy unless it is made with respect to a patent that has issued before a complaint has filed."). However, as Plaintiffs admit, they are not yet seeking a declaration of rights regarding the 103 and 104 patents. Their complaint merely indicates that once those patents issue, they will seek to amend their complaint to include them. Thus, the Court's subject matter jurisdiction regarding these two patents is not yet at issue.

Instead, this Court is placed in a position to decide whether a series of letters, mostly sent prior to the issuance of the patents-in-suit, and the fact of the one negotiation meeting establish a sufficiently immediate and definite controversy to warrant the exercise of subject matter jurisdiction regarding the already issued patents-in-suit. The Court holds that such facts do not establish a case or controversy for purposes of a declaratory judgment.

As both parties acknowledge, the existence of an adversely held patent, alone and absent any action by the patentee, is not enough to establish declaratory judgment jurisdiction. *Prasco, LLC*, 537 F.3d at 1338. However, the parties dispute the significance of Milwaukee's affirmative acts regarding its Li-ion patent portfolio, consisting of the letters and one meeting. However, these facts, at least as presented to the Court, do not show sufficient immediacy and concreteness for purposes of declaratory relief.

To be sure, determining the requisite degree of adverseness required often turns on close calls. However, the Federal Circuit has made clear that "[a] patentee's offer of a license, without more, is insufficient to establish the predicate for declaratory judgment jurisdiction, and merely 'proposed or ongoing license negotiations are likewise insufficient. *EMC Corp. v. Norand Corp.*, 89 F.3d 807, 811 (Fed. Cir. 1996), *overruled in part on other grounds*, 549 U.S. 118 (2007) (internal citations omitted). As Plaintiffs point out in citing to *EMC Corp.*, "any time parties are in negotiation over patent rights, the possibility of a lawsuit looms in the background." *Id.* However, such comment by the EMC Court, especially in light of the EMC Court's statement on the same page that ongoing negotiations alone are often insufficient to create a case or controversy, demonstrates that the fact of the meeting alone cannot warrant a conclusion that litigation is imminent or that the parties have taken adverse positions. And in honor of the parties' Confidentiality Agreement, Makita contends that it is merely relying on the *fact* of the November 13, 2008 meeting in support of its position regarding this Court's jurisdiction. However, that fact alone provides the Court with little means to evaluate if the relationship between the parties had developed into a sufficiently concrete and definite dispute.

Further, considering the fact of a single meeting between the parties in light of a series of mostly pre-issuance letters, the facts of this case are clearly distinguishable from the facts of post-*MedImmune* Federal Circuit decisions finding an actual case or controversy. For example, in *SanDisk*, the Federal Circuit found an actual case or controversy in a situation in which the patentee "liberally referred to [the plaintiff's] present, ongoing infringement of [the] patents and the need for [the plaintiff] to license those patents." *SanDisk Corp.*, 480 F.3d at 1382. Further, the patentee also gave the plaintiff

“a packet of materials, over 300 pages in length, containing, for each of [the] fourteen patents under discussion, a copy of the patent, reverse engineering reports for certain of [the plaintiff’s] products, and diagrams showing a detailed infringement analysis of [the plaintiff’s] products. *Id.* The declaratory judgment plaintiff, in response, claimed that the patentee’s analysis was incorrect and contended that it did not need a license from the patentee. *Id.* Thus, the Federal Circuit held an actual controversy existed despite the patentee’s claim that it was not planning on suing the plaintiff. The instant action provides this Court with no such facts.

Similarly, the Federal Circuit found an actual controversy between the parties in the post-*MedImmune* case *Sony Electronics, Inc. v. Guardian Media Technologies, Ltd.*, 497 F.3d 1271 (Fed. Cir. 2007). In that case (unlike the present situation), the patentee provided declaratory judgment plaintiff Sony “with a detailed infringement analyses, which compared, on a limitation-by-limitation basis, a number of the claims of the ‘158 and ‘160 patents to specific Sony products. [The patentee] further alleged that its infringement analyses applied to all other Sony products possessing ‘V-chip functionality,’ i.e., parental rating control technology, and asserted that it was thus entitled to royalties exceeding \$31 million.” *Id.* at 1285.

In the instant matter, the letters sent by Milwaukee primarily just generally apprise Makita of Milwaukee’s pending applications. While Milwaukee acknowledges that Makita uses Li-ion technology, Milwaukee appears to have never (at least as far as this Court is aware) provided Makita with any type of infringement analysis or indicated that Makita owes Milwaukee certain licensing royalties. Indeed, Milwaukee was incapable of even making an infringement claim at the time it sent many of the key letters to Makita as the patents-in-suit had yet to issue. See *The Wooster Brush Co. v. Bercom International, LLC*, No. 5:06CV474, 2008 WL 1744782, \*5 (N.D. Ohio April 11, 2008). Further, none of the correspondence between the parties indicates that Milwaukee has even taken a concrete position regarding infringement by Makita. See *Baker Hughes Oilfield Operations, Inc. v. Reedhycalog UK, Ltd.*, No. 2:05-CV-931 TS, 2008 WL 345849, \*3 (D. Utah Feb. 6, 2008). At most, the pre-issuance letters indicate that Makita might have “potentially infringing” products. But otherwise, the letters generally state that Milwaukee will enforce its patent rights and notify Makita of the pending applications. These letters do not specifically identify how any Makita products will or do infringe Milwaukee’s patents or detail any investigations by Milwaukee regarding the same. Further both Makita and Milwaukee make statements in the letters indicating Makita’s intention to honor Milwaukee’s patents, rather than indicating that the parties have taken adverse positions regarding their respective rights in relation to the Milwaukee patents.

Thus, the Court concludes that under the totality of the circumstances, Makita has not presented sufficient facts demonstrating an actual controversy between the parties for purposes of declaratory relief. Having reached such a conclusion, the Court need not evaluate whether it can discretionarily decline to exercise jurisdiction pursuant to Defendant’s alternative argument for dismissal.



#### **IV. DISPOSITION**

For the foregoing reasons, the Court GRANTS Defendant Milwaukee's Motion to Dismiss for Lack of Subject Matter Jurisdiction. Plaintiffs' complaint is hereby DISMISSED WITHOUT PREJUDICE.

The Clerk shall serve this minute order on all parties to the action.